

## **Introduction**

This document sets out the Council's legal position with regard to the new Council Tax support scheme we will introduce. It uses some technical language to explain our position. We are required to set out our legal position in this way.

Where possible, we have tried to simplify the information in this document.

## **Proposed scheme: Law and legal context**

The scheme explained here is proposed as the Council Tax support (CTS) scheme for Melton Borough Council, which proposes this scheme in its capacity as the Billing Authority for Melton Borough. It is proposed that the CTS scheme will apply from 1<sup>st</sup> April 2013.

The scheme is proposed, and will be finalised, subject to the Council's duties for local welfare support under provisions including:

- The Welfare Reform Act 2012;
- The Localism Act 2011;
- The Equalities Act 2010;
- The Local Government Finance Bill;
- Regulations laid under the appropriate provisions and governing the administration, design and implementation of CTS, including the proposed Council Tax Reduction Schemes (Prescribed Requirements) regulations; and
- Other legislation in relation to Vulnerable Groups including but not limited to the Child Poverty Act 2010.

What we mean by this is that when we set up the new Council Tax support scheme, we will take into account the Law which must be followed, including the other duties we have to provide welfare support for people. These duties are set out in law.

## **Overall provisions: Universal Credit**

From October 2013, the national implementation of Universal Credit begins. The Council's approach to CTS may include provisions which are designed to deliver consistency with national schemes of welfare Benefit including Universal Credit. The provisions which the Council may include within the CTS scheme in this regard include, but are not limited to:

- the basis under which entitlement to Universal Credit is treated as a valid claim for CTS in accordance with the Council's scheme;
- the treatment of Universal Credit as income within the Council's scheme;
- the operation of the Council's scheme with the Universal Credit systems, including but not limited to the provision of work incentives; and
- the means by which the Council sends and receives information in relation to successful claims for Universal Credit, and the basis on which that exchange of information is treated as valid for the purposes of the Council's scheme.

What we mean by this is that when we set up the new Council Tax support scheme, we will look at the other Benefits people who want to claim Council Tax support are getting. It is likely that many of the people looking for Council Tax support will be receiving a new Benefit called Universal Credit. We will look at how getting Universal Credit might affect your entitlement to Council Tax support.

### **The CTS Scheme: Maximum entitlement**

The Council proposes that the CTS will be a means-tested discount calculated within the framework of means-testing provided by the Council Tax Benefit system. Unless otherwise provided for by the Council's scheme, or by the provisions above including the Local Government Finance Act, the rules which apply under the Council Tax Benefit calculation apply for the Council's administration and calculation of CTS, including but not limited to the eligible person; the time and manner of claim; the calculation and determination of income; the calculation and determination of capital; non-dependant deductions; extended payment of Benefit; Benefit periods; treatment of passported claims; the value and application of tapers; the value and application of premiums; changes in entitlement; change of circumstance; the calculation and recovery of overpayments; the management and administration of fraud and error; the management and administration of subsidy and reporting; and other matters under the calculation determination and payment and recovery of Council Tax Benefit.

What we mean by this is that when we introduce the Council Tax support scheme, we will assess people in a similar way to the way we currently assess people for Council Tax Benefit.

Subject to Government rules, the Council proposes that the CTS scheme will apply a maximum eligible amount of Council Tax at between 70 and 90% of total Council Tax. The Council proposes that the maximum amount of eligible Council Tax under the scheme may apply to all applicants for CTS, unless under the Council's scheme the applicant falls within any adopted classes of 'vulnerable people' that the Council may designate, or under Government rules, the applicant receives protection from the impact of the scheme. The Council understands that the Government intends to fully protect pensioners from the impact of local schemes of CTS.

This means that under the new scheme, nearly everyone of working age will have to pay something towards their Council Tax, even if they currently have it all paid for them by Council Tax Benefit. The only exceptions to this will be if the Council adopts a class of 'vulnerable people' and this group.

The maximum amount of Council Tax which may be awarded under the CTS will be limited in one or more of the following ways:

1. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is 80% of the total Council Tax due;
2. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is 90% of the total Council Tax due;
3. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is set at another percentage between 70 and 90% of the total Council Tax due; or
4. That the maximum amount of Council Tax which is eligible for CTS and which may be the maximum award under the Council's CTS scheme is restricted to the amount of Council Tax

due for the year under the Council's determinations under the Local Government Finance Act 1992 and set at Band D or higher of the Council's Tax calculations.

The Council may consider the proposal that in all cases, the scheme may make specification of the amount of minimum weekly award of CTS which will be payable. In the event that the calculation of award shows that the award will be less than or equal to an amount specified by the Council's scheme at an amount between nil and £5 per week, that no award of CTS under the Council's scheme will be payable.

This means the Council is considering options for the new Council Tax support scheme that include:

- Only paying up to between 70 and 90 per cent of the Council Tax bill for most people who currently get Council Tax Benefit (apart from pensioners, who are exempt from these changes)
- Restricting the amount of Council Tax support anyone can get to the same level you would get for a Band D property
- Not helping people with their Council Tax bill if we work out that the level of support they would be entitled to is £5 a week or less.

#### **The CTS scheme: other determinations**

The Council proposes that the CTS scheme may additionally make provisions in relation to the award of CTS in the following circumstances:

1. The amount of capital held: the scheme may make provision for those holding capital to be ineligible to receive CTS, and may determine that limit at a lower rate than the current limit of £16,000;
2. The application of the taper: the scheme may make provision for the application of a different taper, above the current taper which is applicable for income above the minimum amount, and which is currently applied at 20%;
3. The amount payable in respect of non-dependant deductions: the scheme may make provision for the application of different non-dependant deductions, applicable for other adults living at the property;
4. Second adult rebate: the scheme may make provision for the removal of second adult rebate;

This means the Council is considering further options for the new Council Tax support scheme that include:

- Possibly asking people with savings of less than £16,000 to contribute more towards their Council Tax, if they make a claim for Council Tax support.
- Possibly asking people to pay more towards their Council Tax if they are on a low income but earn above the minimum rate the Government says they need to live on
- Possibly asking other adults living in a property to pay more towards the Council Tax bill. For example, if a couple make a claim for Council Tax support but have another adult living with them, this adult could be asked to pay more towards the Council Tax bill.

## **Vulnerable people**

The Council proposes that the scheme may determine who may be either fully, or partially, protected from the costs of the Council's CTS scheme, by inclusion in the Council's scheme as 'vulnerable people'. The Council's determination of 'vulnerable people' may include people with disabilities; people with responsibilities as carers for disabled or elderly people; people with responsibility for young children; people facing the risk of homelessness; or people to whom the Council has a duty under the Armed Forces Covenant.

The Council's scheme may provide the rules by which people are to be considered within this paragraph, which may include their qualification for identified Benefits; their situation; their qualification for compensation payments; or otherwise under the Council's CTS scheme.

This means that some people will be protected from paying more towards their Council Tax bill because the Council will class them as 'vulnerable people'. The new Council Tax support scheme will decide exactly who should be classed as 'vulnerable' after the consultation, but it might include, for example, people with disabilities, carers, people with young children, people at risk of homelessness and people the Council has a legal duty to protect.

## **Approach to modelling and costing**

The Council's scheme design summarised within this paper is underpinned by detailed costing, research, analysis and modelling which remains ongoing while the determination of the rules to be followed by the Government is completed. The Council has calculated that the scheme described may be capable of delivering savings required of between £261,000- £373,000 in 2013/14.

There are two key variables which the Council will model within the final scheme design, and following consultation:

- the variables within the model of CTS which will be applied by the Council and outlined above; and
- the cost to the scheme of protecting 'vulnerable people'.

This means that the Council has calculated how it could introduce a Council Tax support scheme that will make the necessary savings. However, the exact details of the scheme aren't yet clear, and will depend on the results of the consultation, results from the analysis of the equality impact assessment and decisions over which rules are adopted to assess whether people need Council Tax support. Whether the scheme will make the necessary savings also depends on which groups of people the Council decides to class as 'vulnerable' and protect from having to pay their Council Tax bills.